

Message Text

LIMITED OFFICIAL USE

PAGE 01 REYKJA 01115 151800Z

43

ACTION EUR-25

INFO OCT-01 ISO-00 SS-20 SP-03 NSC-07 PM-07 DODE-00 L-03

CIAE-00 INR-11 NSAE-00 RSC-01 DRC-01 /079 W

----- 081984

R 151720Z AUG 74

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 4729

INFO COMICEDEFOR

CINCLANT

LIMITED OFFICIAL USE REYKJAVIK 1115

EO 11652: NA

TAGS: MARR IC NATO

SUBJECT: LEASING DISAGREEMENT BETWEEN DEFENSE

SUPPLY AGENCY AND ICELANDIC CONTRACTOR

1. MFA TODAY PRESENTED EMBASSY WITH AIDE MEMOIRE REGARDING
LEASING OF TANKER SPACE AT HVALFJORDUR BY DEFENSE SUPPLY
AGENCY. AIDE MEMOIRE READS AS FOLLOWS:

QUOTE ON NOV 7, 1973 AN AIDE MEMOIRE REGARDING
THE AGREEMENT BETWEEN THE US GOVT AND THE OLIUFELAG
ISLANDS H. F. ON LEASING OF TANKAGE IN HVALFJORDUR, WAS
DELIVERED TO THE EMBASSY.

AT THE SAME TIME THE PROBLEM WAS RAISED WITH THE
DEPT OF STATE IN WASHINGTON BY THE EMBASSY OF ICELAND.

EARLY THIS YEAR THE DEFENSE SUPPLY AGENCY, WHICH
DEALS WITH THIS MATTER IN WASHINGTON, REQUESTED THAT THE
MATTER BE NOT PURSUED FURTHER THROUGH DIPLOMATIC CHANNELS
AS A SOLUTION SEEMED TO BE IMMINENT.

THE OLIUFELAG ISLANDS H. F. HAVE NOW RECEIVED AN OFFER
OF A RENEWAL OF THE CONTRACT FROM THE DEFENSE SUPPLY AGENCY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 REYKJA 01115 151800Z

IN THIS OFFER IT SEEMS THAT NO ACCOUNT HAS BEEN

TAKEN OF THE LARGE PRICE INCREASES IN ICELAND AS THE AMOUNTS
IN THE OFFER ARE THE SAME AS THOSE CHARGED FOR THE PERIOD
JULY 1, 1972 TO JUNE 30, 1973.

THE OLIUFELAG ISLANDS H. F. HAVE FOUND THIS OFFER
TOTALLY UNACCEPTABLE.

FOR FURTHER INFORMATION COPIES OF CORRESPONDENCE
REGARDING THIS MATTER ARE ENCLOSED. END QUOTE.

2. AIDE MEMOIRE AND ENCLOSURES BEING AIRPOUCHED.

3. WHILE EMBASSY DOES NOT WISH TO ENTER INTO DETAILS OF
DISAGREEMENT BETWEEN DSA AND ICELANDIC CONTRACTOR
(OLIUFELAGID H. F), WE ARE CONCERNED THAT IN ATTEMPT TO
MAINTAIN A LEGAL POSITION, IMPORTANT ECONOMIC FACTORS AND
VITAL POLITICAL FACTORS MAY BE BRUSHED ASIDE. REGARDLESS
OF WORDING OF PRESENT CONTRACT TWO POINTS SEEM OVER-RIDING:
A) ICELAND HAS HIGHEST INFLATION RATE IN EUROPE AND
B) WE ARE ENGAGED IN DELICATE NEGOTIATIONS REGARDING FUTURE
OF AMERICAN DEFENSE RELATIONSHIP WITH ICELAND. INFLATION
HAS CAUSED DRAMATIC WAGE AND PRICE INCREASES WHICH EMBASSY
AND OTHER USG ESTABLISHMENTS (INCLUDING US-MANNED NATO
BASE) HAVE HAD TO ACCEPT IF US PRESENCE IN ICELAND IS TO
BE MAINTAINED. ICELANDIC CONTRACTOR IS BRANCH OF COOPERATIVE
SOCIETY WHICH IS, IN TURN, MOST IMPORTANT FINANCIAL AND
POLITICAL SUPPORTER OF PRIME MINISTERS PROGRESSIVE PARTY.
REGARDLESS OF OUTCOME OF CURRENT PROCESS OF GOVERNMENT
FORMATION, PROGRESSIVES SEEM CERTAIN TO REMAIN IN CABINET
AND BE A DETERMINING FACTOR IN NEGOTIATIONS WITH USG ON
DEFENSE AGREEMENT.

4. WE UNDERSTAND DSA HAS REQUESTED MATTER NOT BE PURSUED
IN DIPLOMATIC CHANNELS. HOWEVER, PARAMOUNT USG INTERESTS
AT THIS POINT MUST BE TAKEN INTO CONSIDERATION SINCE MATTER,
ALTHOUGH SMALL, HAS BEEN PENDING FOR NEARLY ONE YEAR AND
COULD HAVE SERIOUS REPERCUSSIONS IF NOT SOLVED PROMPTLY.
IRVING

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NEGOTIATIONS, LEASES, CONTRACTS, HVALFJURDUR
Control Number: n/a
Copy: SINGLE
Draft Date: 15 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974REYKJA01115
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740224-1215
From: REYKJAVIK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740844/aaaablyu.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 20 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 MAY 2002 by boyleja>; APPROVED <27 FEB 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LEASING DISAGREEMENT BETWEEN DEFENSE SUPPLY AGENCY AND ICELANDIC CONTRACTOR
TAGS: MARR, IC, NATO, DSA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005